

Message Text

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ACTION XMB-04

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COMMERCE FOR MAJOR PROJECTS DIVISION

DEPT PASS EXIMBANK

E.O. 11652: N/A
TAGS: EGN, NS
SUBJECT: POSSIBLE EXIMBANK PARTICIPATION IN FINANCING OF
WEST SURINAME PROJECTS

REF: A) STATE 190667, B) PARAMARIBO 1105

1. TO PROVIDE INFORMATION REQUESTED IN REFTEL A AND EXPAND
UPON REFTEL B, EMBASSY HAS HELD DISCUSSIONS WITH REPRESENTATIVES OF GOS-OWNED COMPANY, GRASSALCO, MINISTRY OF FINANCE, AND LOCAL DUTCH DEVELOPMENT COOPERATION MISSION. MORRISON-KNUDSEN REPRESENTATIVES HAVE ALSO CONTACTED EMBASSY.

2. HENRY FERRIER (BROTHER OF PRESIDENT FERRIER) IS MANAGING DIRECTOR OF GOS-OWNED COMPANY GRASSALCO, WHICH IS SUPERVISING CONSTRUCTION OF THE RAILROAD AND DEVELOPMENT OF THE BAUXITE MINE IN WEST SURINAME. IN CONVERSATION WITH EMBOFFS HE STATED THAT HE WAS INTERESTED IN EXPLORING EXIM PARTICIPATION IN FINANCING OF WEST SURINAME DEVELOPMENT
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PROJECTS, AND THAT HE WOULD BE WILLING TO CONSIDER DEALING WITH EXIM DIRECTLY RATHER THAN THROUGH INDIVIDUAL SUPPLIERS.

3. FERRIER SAID HE THOUGHT HIS GOVERNMENT WOULD BE WILLING TO SERVE AS GUARANTOR ON ANY LOANS NEGOTIATED WITH EXIM. THE MINISTRY OF FINANCE WOULD HAVE TO APPROVE ANY GUARANTEES AND THE COUNCIL OF MINISTERS, ACTING UPON THE ADVICE OF THE

MINISTER OF FINANCE, WOULD ALSO HAVE TO APPROVE GUARANTEES OVER A CERTAIN SUM. THE MINISTER OF FINANCE, LESLIE GOEDEN AND THE DIRECTOR OF FINANCE, R.W. BRAAM, HAVE TOLD EMBOFFS THAT THEY WOULD BE INTERESTED IN DISCUSSING POSSIBLE LOANS AND GUARANTEES WITH EXIM. MINISTRY OF DEVELOPMENT WOULD ALSO BE INVOLVED, SINCE GRASSALCO COMES UNDER ITS JURISDICTION.

4. MEMBER OF DUTCH DEVELOPMENT COOPERATION MISSION SAID HE DOUBTED VERY MUCH THAT THE DUTCH WOULD GUARANTEE ANY LOANS FOR NON-DUTCH PROCURED EQUIPMENT FOR WEST SURINAME PROJECTS, ON TOP OF GOS GUARANTEES. THE DUTCH WILL PARTICIPATE HEAVILY IN THE FINANCING OF WEST SURINAME PROJECTS (FROM 25 PERCENT TO 50 PERCENT OF THE COST OF THE PROJECTS, HE ESTIMATED), BUT HE WAS QUITE SURE THAT THE DUTCH WOULD NOT GUARANTEE EXIM LOANS IN ADDITION. EMBASSY ALSO BELIEVES THAT THE DUTCH GOVERNMENT WOULD NOT MAKE SUCH GUARANTEES, AND QUESTIONS WHETHER GOS WOULD IN ANY EVENT AGREE TO SUCH AN ARRANGEMENT.

5. RE POTENTIAL COMPETITION, FERRIER MENTIONED THE DUTCH, CANADIANS, AND JAPANESE, WITHOUT BEING SPECIFIC. HE SAID THE JAPANESE HAD PROPOSED SOME KIND OF A PACKAGE ARRANGEMENT, BUT THE MEMBER OF THE DUTCH DEVELOPMENT COOPERATION MISSION WITH WHOM EMBOFFS SPOKE SAID HE UNDERSTOOD THE JAPANESE WERE NOT INTERESTED. BOTH FERRIER AND DUTCH MISSION MEMBER CONFIRMED THAT, EVEN ON DUTCH-FINANCED EQUIPMENT, US LIMITED OFFICIAL USE

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SUPPLIERS WILL HAVE A CHANCE IF THEY HAVE ADVANTAGES IN PRICE AND QUALITY OVER DUTCH AND THIRD COUNTRY PRODUCTS.

6. FERRIER PROVIDED THE FOLLOWING INFORMATION ON THE RAILROAD, ROLLING STOCK, AND BAUXITE MINE: RAILROAD IS SCHEDULED FOR COMPLETION IN DECEMBER 1979. HE IS NOW EXAMINING OVER 20 PROPOSALS FROM A NUMBER OF COUNTRIES FOR ROLLING STOCK AND SIGNALLING EQUIPMENT, WHICH HE EXPECTS WILL COST OVER US \$20 MILLION. FIRMS ARE GENERALLY OFFERING TO ARRANGE FOR FINANCING OF 80-85 PERCENT OF THE COSTS. STUDIES ARE PROCEEDING FOR THE CONSTRUCTION OF THE MINE, WHICH HE SAID SHOULD EVENTUALLY PRODUCE 2,000,000 TONS PER YEAR. SURINAME WANTS TO START SUPPLYING VENEZUELA BAUXITE FROM THIS NEW MINE BY 1980, THOUGH NO CONTRACT WITH THE VENEZUELANS HAS YET BEEN SIGNED. IT IS ALSO POSSIBLE THAT NICKEL, COPPER, AND WOOD WILL EVENTUALLY BE EXPORTED FROM THE AREA. FERRIER INDICATED THAT MORE INTENSIVE PLANNING FOR THE PROPOSED HYDROELECTRIC FACILITIES WOULD PROCEED ONCE THE ROLLING STOCK, SIGNALLING EQUIPMENT, AND MINE WERE FURTHER ALONG THE ROAD TO COMPLETION. (COMMENT: WHOLE WEST SURINAME DEVELOPMENT EFFORT IS MOVING SLOWER THAN ANTICIPATED, AND THERE IS LIKELY TO BE SLIPPAGE IN TARGER COMPLETION DATES. SURINAMESE MANAGEMENT TALENT

IS SPREAD VERY THINLY, AND DUTCH AID MISSION HERE APPEARS TO BE UNDERMANNED.)

7. COINCIDENTALLY, EMBASSY RECEIVED A VISIT ON SEPTEMBER 1 FROM W.C. PERKINS, MANAGER OF THE LATIN AMERICAN DIVISION OF MORRISON-KNUDSEN INTERNATIONAL OF BOISE, IDAHO, AND LOCAL M-K PROJECT DIRECTOR JOHN B. RENWICK. THEY INDICATED THAT M-K IS VERY INTERESTED IN SECURING PARTIAL EXIM FINANCING FOR CONSTRUCTION OF A DAVIS FALLS DAM, WHICH WOULD CONSTITUTE PHASE ONE OF AN EVENTUAL TWO-PHASE HYDROELECTRIC FACILITY, THE SECOND PHASE OF WHICH WOULD BE A KABALEBO DAM. PERKINS INDICATED THAT HE WOULD BE CONTACTING EXIM ON THIS MATTER IN THE NEAR FUTURE.

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8. IN VIEW OF THE POTENTIAL MAGNITUDE OF US EXPORTS WHICH COULD BE GENERATED BY THESE WEST SURINAME PROJECTS, AND THE STILL UNANSWERED QUESTIONS WHICH COULD BEST BE RESOLVED BY DIRECT MEETINGS BETWEEN GOS OFFICIALS AND EXIM, EMBASSY STRONGLY RECOMMENDS THAT EXIM SEND ONE OR MORE OFFICIALS ON A VISIT TO SURINAME. MEETINGS WOULD BE ARRANGED WITH MINISTRIES OF FINANCE AND DEVELOPMENT, GRASSALCO, AND PERHAPS OTHER ENTITIES, AND A VISIT TO WEST SURINAME COULD BE ARRANGED. VISIT WOULD PROBABLY TAKE A WEEK, INCLUDING A FIELD TRIP TO WEST SURINAME. BEST TIMING FOR VISIT APPEARS TO BE DURING LAST WEEK IN NOVEMBER OR FIRST TWO WEEKS IN DECEMBER. (GRASSALCO OFFICIALS WILL BE TIED UP WITH FURTHER MEETINGS WITH THE VENEZUELAN IN OCTOBER, AND WITH THE INTERNATIONAL BAUXITE ASSOCIATION MEETING AND A MEETING WITH DUTCH AID OFFICIALS (CONS) IN EARLY NOVEMBER.) PLEASE ADVISE. OSTRANDER

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